



**Questions 1 to 6 relate to the scenario below**

**Scenario - *Caffè Bologna***

*Caffè Bologna* is a business specialising in providing Italian coffee products, other beverages, quality cakes, sandwiches and snacks. It started with one coffee bar in 2002, with a second opening in 2005. Both outlets have rapidly attracted a loyal customer base, which, with healthy turnovers and mark-ups, have provided the business with substantial funds for a major expansion into other locations.

The coffee is supplied direct from Italy, with good discounts, and this forms the basis of *Caffè Bologna*'s most popular sales, ranging from espresso and americano to mocha and a variety of chilled coffee products. Many of the staff are low-paid young foreigners who are supporting themselves with part-time work as they learn English. This keeps costs down for the business but it does have training implications and there is a need to recruit new staff on a fairly regular basis.

The owners of *Caffè Bologna* purposely located their first two coffee bars in towns which had no direct competition. There were other cafes but they only served filter coffee and their snacks tended to be of a much lower quality. Now the owners of *Caffè Bologna* are planning to expand into nearby towns and cities but they are aware that this will bring them into direct competition with other specialist coffee bars such as *Costa*, *Caffè Nero* and *Starbucks*.

The owners of *Caffè Bologna* are also aware that Euromonitor has reported that the explosive growth of coffee shops in the UK, which started in the mid-1990s and continued into the early 2000s, has slowed considerably. However, the market is still set to grow by a compound annual rate of 8.9% in terms of number of outlets, reaching 3,427 outlets by December 2008, with a £1.4 billion turnover.

*Marks & Spencer (M&S)* recently entered the market and had 190 *Café Revives* by 2006. *M&S* now only serves Fairtrade coffee, responding to research that shows that the majority of customers prefer to buy products where a significant part of the price is paid directly back to producers in developing countries, such as Honduras, Peru, Ethiopia, Indonesia and Tanzania. As yet, *Caffè Bologna* does not use Fairtrade products.



1. Before any major marketing decision is made it is wise to carry out a SWOT analysis.

(a) (i) With reference to the data in the scenario on **page 2**, identify a strength, weakness, opportunity and threat that would apply to *Caffè Bologna*.

Strength .....

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Weakness .....

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Opportunity .....

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Threat .....

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(4)

(ii) State why each of your choices in (i) is a strength, weakness, opportunity or threat for *Caffè Bologna*.

Strength .....

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Weakness .....

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Opportunity .....

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Threat .....

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(4)



In order to carry out a detailed SWOT analysis *Caffè Bologna* would need additional information.

(b) Justify **one** piece of additional information, not specifically shown in the scenario on **page 2**, that *Caffè Bologna* would need in order to assess possible **threats** more accurately.

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(3)

(Total 11 marks)

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Q1



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2. (a) Explain why the decision by *Caffè Bologna* to open new coffee bars would be a strategic marketing decision rather than a tactical one.

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(4)

- (b) Advise *Caffè Bologna* on **two** tactical marketing decisions it should consider in relation to its existing coffee bars if *Costa*, *Caffè Nero* or *Starbucks* decided to open up coffee shops in the same towns.

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(5)

Q2

(Total 9 marks)



3. (a) With reference to the data in the scenario on **page 2**, draw a fully labelled product life cycle for the UK luxury coffee shops market from 1990 to 2008.

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(6)



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The luxury coffee shop market is highly competitive.

- (b) Explain how an established coffee shop chain, such as *Costa*, could plan its **marketing mix** to ensure that the growth stage of its product life cycle continues in such a competitive market.

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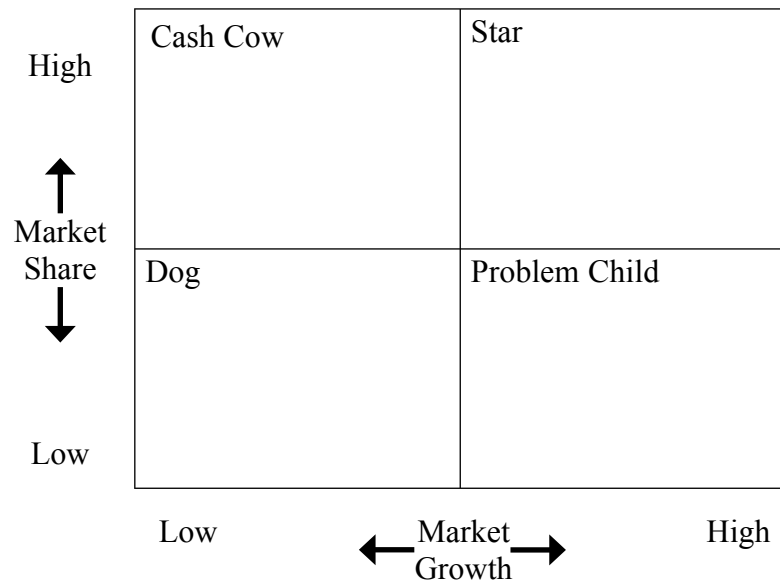
Q3

(Total 14 marks)



4. *Caffè Bologna* 's position might be described as moving from a micro to a macro marketing environment as it expands from its current two outlets.

(a) (i) Identify with the letter 'C', on the Boston Matrix below, where *Caffè Bologna* should be positioned in terms of the luxury coffee shop market.



(1)

(ii) Justify why you have selected this position.

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(3)

(b) Explain why *Caffè Bologna* 's current outlets might be considered to be part of a micro marketing environment.

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(4)





(c) Explain how *Caffè Bologna*'s media mix is likely to change as it moves from the micro to the macro marketing environment.

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(5)

(Total 13 marks)

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Q4

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5. Before *Caffè Bologna* expands into new locations it plans to carry out market research on its competitors.

Advise *Caffè Bologna*'s owners about **one** primary and **one** secondary research method that would be appropriate for this purpose.

Primary .....

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Secondary .....

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Q5









(c) Outline the marketing objective that this business meets by being in more than one market.

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(2)

(Total 10 marks)

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Q7



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8. Give an example of **one real** UK business that has used skimming pricing as part of its marketing strategy.

Name of business .....

(a) (i) Identify the product where skimming pricing has been used.

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(ii) Give details of how skimming was applied to this product.

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..... (2)

(b) Explain why skimming is a successful pricing strategy for this business.

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**QUESTION 8 CONTINUES ON THE NEXT PAGE**



(c) How would a major downturn in the state of the economy affect this business's strategy of skimming?

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(3)

(Total 10 marks)

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Q8

**TOTAL FOR PAPER: 90 MARKS**

**END**

